

***Chapter 16***  
***Auditor's Review  
of Internal Control***

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When the WSDOT Audit Office conducts an audit (i.e., preaward, interim, special, or post), an internal control review and accounting system review are performed.

Government auditing standards require that: "A sufficient understanding of the internal control structure is to be obtained to plan the audit and to determine the nature, timing, and extent of tests to be performed."

The internal control structure consists of the control environment, accounting systems, and specific internal control procedures. Internal control is the responsibility of the consultant's management. The policies and procedures that consultant management establish for the firm determine the internal control structure. Once the auditor obtains an understanding of the internal control structure of the consultant, a written report is made part of the audit report.

Unless we are relying on work done by another auditor, the auditor conducts an internal control review using an internal control questionnaire. This questionnaire discusses the following general areas of the consultants' accounting system: general controls; cash receipts; cash disbursements; bank reconciliations; accounts receivable; accounts payable; inventories; property, plant and equipment; purchasing and receiving; and, payroll. Questions are asked in a yes, no, or not applicable format. Normally, it does not take long to answer the questions as they pertain to the consultant's accounting system.

Audit tests during the audit process are used to verify that the conditions as reported exist within the organization.

During each succeeding audit we perform of the consultant, the internal control questionnaire is updated. This lets us know if any changes have been made to the internal control structure since the last time we audited the consultant. There are instances where we have audited a consultants' complete fiscal year and the consultant has been awarded additional agreements from WSDOT. In this instance, we can rely on the previous internal control review.

